

Doing Business in Nicaragua: A Country Commercial Guide for U.S. Companies

Chapter 4: Leading Sectors for U.S. Export and Investment

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Tourism

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Overview

Statistical Summary (millions of U.S. dollars except where noted)

	2005	2006
Number of tourists	803,933	898,699
Revenues	183.0	230.0
Total imports	6.4	2.2
Imports from the United States	2.1	1.6

Notes: Imports are CIF value and include equipment and raw materials for tourism developments, mainly for hotels and restaurants.

Source: Nicaraguan Customs and Nicaraguan Tourism Institute.

Nicaragua's tourism industry is expanding. Tourist arrivals (including visiting family members) have steadily increased at a 10% annual rate since 2000. During the first trimester of 2008, the number of tourists who visited Nicaragua increased 8.4% compared to the same period in 2007. In the past few years, five

different international hotel chains have established business operations in Nicaragua. The total number of hotel rooms in Nicaragua is still rather limited, although the number of first-class rooms has more than doubled during the past eight years. There are currently five airlines serving the U.S. market from Nicaragua, including American Airlines, Continental, Delta, Taca, and more recently, Spirit. Serious impediments to the expansion of this key sector include unreliable property rights, poor infrastructure, and judicial insecurity.

Best Products/Services

The best prospects for investment are in accommodations outside of Managua, especially along the Pacific Coast. In addition, there are opportunities for related businesses, such as tour operators, hotels, restaurant suppliers, and equipment and transportation.

Opportunities

Nicaragua offers tax incentives for investment in the tourism sector. The [Nicaraguan Institute of Tourism](#) (INTUR) and [ProNicaragua](#) (Investment Promotion Agency) are promoting investment in Pacific beachfront resorts and ecotourism projects. The Atlantic Coast also has tourist potential, but problems with undeveloped infrastructure, property rights, and personal security present formidable obstacles to potential investors. See Chapter 6: [Investment Climate Statement](#) for more information on investments in Nicaragua.

Vehicles, Auto Parts, and Equipment

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Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total local production	0.0	0.0	0.0
Total exports	1.4	1.7	3.6
Exports to the United States	0.4	0.5	0.9
Total imports	202.7	224.8	266.8
Imports from the United States	25.9	28.0	32.2

Note: Exports are FOB values and imports CIF values.

Source: Nicaraguan Customs.

Despite high fuel prices, automobile sales in Nicaragua continue to grow, increasing from 9,635 units sold in 2006 to 10,517 in 2007. Greater availability of financing has helped boost the demand for vehicles. Almost 76% of all vehicles sold in 2007 were Japanese brands. According to the Nicaraguan National Police

there were approximately 372,000 vehicles in circulation in 2007 (56% in Managua), up from 290,000 in 2004. Because of unsafe and unreliable public transportation, a car is essential in Nicaragua for those who can afford one.

There are approximately 15 well-known auto dealerships in Nicaragua, including dealerships for Honda, Hyundai, Peugeot, Mitsubishi, Kia, Nissan, Chevrolet, Taidok, Isuzu, Great Wall, and Land Rover. Several dealerships represent more than one brand, such as the local Mercedes-Benz dealership, which also represents and distributes Chrysler products. Two of the biggest dealerships in Nicaragua, which represent Toyota, also sell Lexus, Suzuki, and Daihatsu. There are approximately 163 used auto dealerships in Nicaraguan. Currently, there is one NAPA auto parts store in Managua, and there are many other auto shops that carry U.S. parts.

Best Prospects/Services

The most popular cars are small, four or six cylinder, U.S., Japanese, or Korean models. Many people find four-wheel-drive vehicles very useful on Nicaragua's road system. High-ground clearance for speed bumps and potholes is also an asset. Good gas mileage is a priority for many consumers. There is also considerable demand for the servicing of vehicles, and spare parts are increasingly available on the local market. There is a high demand for heavy and light U.S. trucks, buses and sport-utility vehicles, as well as for tires for all motor vehicles. Vehicles with standard transmission are preferred over automatic transmission because of difficulties in servicing the former.

Opportunities

Except for a free zone company that is producing automotive wiring harnesses exclusively for export, there is no local production of automotive parts and accessories in Nicaragua. Good sales opportunities exist for virtually all categories of products in this sector.

In 2007, there were 54 different automobile brands available in the Nicaraguan market, an increase of 35% compared to 2006.

Resources

- Nicaraguan Association of Vehicles and Automotive Distributors: Tel: (505) 268-3861, 268-3743. Fax: (505) 266-4831. Email: andiva@hotmail.com

Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total local production	0.0	0.0	0.0
Total exports	12.7	18.7	21.9
Exports to the United States	0.5	0.6	1.9
Total Imports	147.2	151.2	179.4
Imports from the United States	26.4	29.6	22.6

Note: Exports are FOB values and imports CIF values.

Source: Nicaraguan Customs.

The construction sector has grown significantly in recent years. However, in 2006 it contracted, due to political uncertainty that stifled both private and public investment. In the later half of 2007, public investments began to pick up, led by the construction of new roads, but the sector has not regained previous levels because the government has been slow to execute its capital budget.

Nicaragua has a housing deficit of more than 500,000 homes, mostly for low and middle income families. Developers have acknowledged this demand and invested in low income housing during the past few years, particularly in Managua. In 2008, the Ministry of Environment and Natural Resources banned construction of new homes in a large area of southern Managua to protect depleting aquifers.

Best Prospects/Services

Construction equipment such as tractors, excavating machines, asphalt mixers, and dump trucks remain in high demand. There is also demand for construction materials.

Opportunities

The U.S. [Millennium Challenge Corporation](#) is upgrading transportation infrastructure in the departments of Leon and Chinandega to provide better links between producers and commercial markets. The growth of the tourism industry will require new infrastructure, including hotels and roads. A housing shortage in all categories will continue to contribute to the demand for construction. The construction of retail space also drives demand for equipment and materials.

Resources

- Nicaraguan Chamber of Industries: <http://www.cadin.org.ni>
- Nicaraguan Chamber of Construction: <http://www.construccion.org.ni>
- Nicaraguan Housing Development Chamber: <http://www.cadurnica.com/Inicio.htm>

Telecommunication Equipment

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Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006
Total local production	0.0	0.0
Total exports	0.9	1.7
Exports to the United States	0.2	0.6
Total imports	116.9	128.0
Imports from the United States	12.4	7.1

Note: Exports are FOB values and imports CIF values.

Source: Nicaraguan Customs.

América Móvil of Mexico purchased the Nicaraguan Telecommunications Company (ENITEL) in 2004 and has since invested heavily in the development of land-based and cellular telephony. In 2008, ENITEL's cell phone division Claro introduced a third-generation (3G) all-digital network to support high-speed data transmission. Spanish company Telefónica operates the competing Movistar cell phone network. There are 247,862 conventional phone lines installed in Nicaragua as of December 2007. Cellular phones have by far surpassed land lines, up from 500,000 users in 2004 to 2.12 million as of December 2007.

Best Products/Services

The most promising sub-sectors in the telecommunications market are digital, cellular and wireless telephone systems, data transmission equipment, and fiber optic networks.

Opportunities

Sales opportunities exist for virtually all categories of products in this sector.

Resources

- TELCOR (the telecommunications regulator): www.telcor.gob.ni
- Nicaraguan Council of Science and Technology: www.conicyt.gob.ni
- Nicaraguan Internet Association: www.enicaragua.org.ni
- Student's Association of Telecommunication and Information Technology: www.anetic.org.ni
- Nicaraguan Association of Telecommunication and Information Technology's Specialists: www.aneti.org.ni

Computer Equipment and Peripherals

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Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total local production	0.0	0.0	0.0
Total exports	0.1	0.2	0.3
Exports to the United States	0.1	0.1	0.2
Total imports	28.0	32.4	30.9
Imports from the United States	10.1	10.1	10.1

Note: Exports are FOB values and imports CIF values.

Source: Nicaraguan Customs.

Over the last five years, Nicaragua has experienced an increased demand for computers and peripherals. Continued investment in telecommunications infrastructure has contributed to the growth of the market, reflecting the need of many businesses to acquire up-to-date information technology. There is no significant local production of this type of equipment for direct local consumption.

Best Products/Services

Sales of finished computers are growing, but sales of parts and accessories are growing at an even faster pace. Sales over the Internet of competitively priced information technology are likely to expand in the near future, particularly for the personal user segment, provided that reliable local after-sales dealer support is available for consumers. Demand for specialized hardware and accessories are gradually increasing in the professional services sector. The use of wireless computer networks is also increasing.

Opportunities

The computer and peripheral equipment industry is expected to continue growing. Nicaragua's import tariff policy favors growth of this "strategic" industry sector. Computers and peripheral equipment are not subject to import taxes. Internal taxes such as sales taxes do apply. CAFTA-DR will bring more competition to the information technology market. Good sales opportunities continue to be projected for virtually all categories of products in this sector.

Resources

- Nicaraguan Council of Science and Technology: www.conicyt.gob.ni
- Nicaraguan Internet Association: www.enicaragua.org.ni
- Nicaraguan Association of Telecommunication and Information Technology's Specialists: www.aneti.org.ni

Food Processing and Refrigeration Equipment

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Overview

Statistical Summary (millions of U.S. dollars)

	2004	2005	2006
Total local production	0.0	0.0	0.0
Total exports	279.1	333.0	438.3
Exports to the United States	88.1	69.2	135.1
Total imports	221.6	244.5	298.8
Imports from the United States	91.4	92.4	111.1

Note: Exports are FOB values and imports CIF values.

Source: Nicaraguan Customs.

Nicaraguan and international companies are investing in food processing equipment to improve sanitary and quality standards for foods sold locally and for export. Fresh and processed foods are among Nicaragua's fastest growing exports.

Best Products/Services

Refrigeration equipment, such as refrigerated trucks, containers, and cold storage rooms and laboratory equipment for testing and product certification are in high demand. Demand is highest for used equipment in good condition.

Opportunities

The Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR) offers improved access to U.S. markets for Nicaragua's agricultural goods. Nicaragua is poised to take advantage of these opportunities, especially in the areas of meat, dairy, seafood, produce, and processed foods.

Currently there is only one public cold storage facility in the country, run by the [Association of Producers and Exporters of Nicaragua](#) (APEN). The facility has limited capacity and is too small to meet demand both for export and import shipments of perishable goods.

Resources

- Association of Producers and Exporters of Nicaragua: www.apen.org.ni
- National Commission for Export Promotion: <http://www.mific.gob.ni/dirFomento/cnpees.htm>
- Inter American Institute for Cooperation in Agriculture: www.iica.int.ni.

Agricultural Goods

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The agricultural sector, including livestock, forestry, and fisheries, suffers from drought and poor irrigation systems, limited infrastructure, and thin credit markets. In spite of the challenges, primary agriculture is an important sector in the Nicaraguan economy, accounting for 19.6% of the GDP in 2007. The agricultural sector employs over 29% of the labor force. Raw coffee, beef, sugar, peanuts, hardwood, shrimp, and lobster are among the leading agricultural products. U.S. imports from Nicaragua in 2007 totaled \$350 million. U.S. exports to Nicaragua reached \$184 million in 2007, up 34% from 2006.

Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total market size	25.7	31.3	36.4
Total local production	0.0	0.0	0.0
Total exports	0.0	0.0	0.0
Total imports	25.7	31.3	34.6
Imports from the United States	24.1	31.3	34.6

Note: Exports are FOB values and imports CIF values.

Source: Nicaraguan Customs.

Best Prospects/Services

Nicaragua imports primarily spring wheat and small quantities of soft and hard red wheat.

Opportunities

Imported wheat is processed into flour to be used in local bakeries. Bread is a main substitute for corn products in the Nicaraguan diet. Nicaraguan consumers perceive U.S. wheat as wholesome and of higher quality than alternatives.

Resources

- U.S. Foreign Agricultural Service: U.S. Foreign Agricultural Service: www.fas.usda.gov and agmanagua@usda.gov

Overview

Statistical Summary (millions of U.S. dollars)

	2005	2006	2007
Total Market Size	13.7	15.9	28.1
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	13.7	15.9	28.1
Imports from the United States	13.7	15.9	28.1

Note: Exports are FOB values and imports CIF values.

Source: Nicaraguan Customs.

Best Prospects/Services

Yellow corn for animal feed is the main prospect. Yellow corn is used as a main ingredient in livestock feedstuffs, particularly in poultry feeds. The Nicaragua poultry industry has grown rapidly and produces high quality products.

Opportunities

Nicaragua does not produce significant amounts of yellow corn. The Commission for Risk Analysis of Genetically Modified Organism has conducted and approved genetic material approved in the United States for yellow corn. U.S. yellow corn imports into Nicaragua for the purposes of processing and for animal feed have been approved. Under CAFTA-DR, Nicaragua imposes a tariff-rate quota (TRQ) for yellow corn that expands gradually and will eliminate tariffs on yellow corn in 2021. See Chapter 5: [Trade Regulations and Standards](#), Import Tariffs and Import Requirements and Documentation for more information.

Resources

- U.S. Foreign Agricultural Service: www.fas.usda.gov and agmanagua@usda.gov
- National Association of Poultry and Animal Feed Producers: Email: anapa@anapa.org.ni

Overview

Statistical Summary (millions of U.S. dollars unless noted)

	2005	2006	2007
Total market size	36.4	45.8	57.6
Total local production (thousands of metric tons)	412.0	411.0	350.0
Total exports	0.2	0.1	\$1.0
Total imports	36.4	45.8	57.6
Imports from the United States	34.8	45.0	56.2

Note: Exports are FOB values and imports CIF values.

Source: Nicaraguan Customs and the Nicaraguan Association of Rice Producers

Best Prospects/Services

There are approximately 15 private rice importers in Nicaragua, but one of these companies imports most of this commodity.

Opportunities

Nicaragua complements its local rice production with imports. Over 95% of Nicaraguan rice imports originate in the US. Golden U.S. rice is repackaged in 5 or 10 kg bags.

Under CAFTA-DR, Nicaragua imposes a TRQ for rice that expands gradually and will eliminate tariffs on yellow corn in 2024.

Resources

- U.S. Foreign Agricultural Service: www.fas.usda.gov and agmanagua@usda.gov
- Association of Nicaraguan Rice Producers: Tel: (505) 222-4570, 222-5513. Email: anar@cable.net.ni
- Association of Nicaraguan Rice Processors: Fax: (505) 222-4371. Email: proarroz@cable.net.ni

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